

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7100**

**BILL NUMBER:** SB 359

**NOTE PREPARED:** Jan 5, 2005

**BILL AMENDED:**

**SUBJECT:** CEDIT For Library Property Tax Replacement.

**FIRST AUTHOR:** Sen. Gard

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** The bill provides that a county may adopt an ordinance designating county economic development income tax (CEDIT) revenue for replacement of public library property taxes in the county. The bill allows a county to adopt an ordinance only if all territory in the county is included in a library district. The bill provides that the maximum amount that may be used for library property tax replacement purposes is the amount of revenue generated by a CEDIT rate of 0.15%. The bill provides that a public library may receive public library property tax replacement credits under this provision only if the library has entered into reciprocal borrowing agreements with all other public libraries in the county.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Summary:* Under current law, only Hancock County is allowed to use CEDIT distributions collected at a 0.15% rate for public library property tax replacement credits (PTRC). The bill would allow any CEDIT county the option to use CEDIT revenue generated by a tax rate that is no greater than 0.15%. Counties would not be able to use CEDIT revenue for public library PTRC if the county would receive a lower certified distribution than required to cover the county's economic development obligations funded by the distribution. If a county were to adopt an ordinance to use CEDIT for public library PTRC, the county treasurer would be required to establish a library property tax replacement fund, money placed in the fund would occur before any certified distributions were made. It is possible that in future years counties that

chose to designate CEDIT revenue for PTRC would have to do so at the expense of economic development projects.

*Aggregate 0.15% CEDIT Estimate:* Based on local option revenue collections through 2002, it is estimated that a 0.15% rate would generate approximately \$150.9 M in FY2006 if every county (except Hancock County) were to adopt an ordinance under the bill to pay for library PTRC. However, it is unlikely that every county would be able to do so, given their current CEDIT revenue obligations.

**Explanation of Local Revenues:** *Summary:* The bill does not increase the maximum CEDIT rate or combined CEDIT/CAGIT rate or CEDIT/COIT rate of any county. Therefore, the provisions of the bill should be revenue neutral.

*Background:* Under current law, CEDIT rates may be set at 0.1%, 0.2%, 0.25%, 0.3%, 0.35%, 0.4%, 0.45%, and 0.5%. There are currently 71 counties that have CEDIT.

Under current law, a county must adopt a rate increase in CEDIT by April 1 of a given year. In July of that year, the State Budget Agency calculates a certified distribution for the following year. (Counties do not receive any additional certified shares until January of the year following the rate increase and certified distribution.)

(Current law allows, with few exceptions, a maximum combined CEDIT and COIT rate of 1.0%. Current law allows, with few exceptions, a maximum combined CEDIT and CAGIT rate of 1.25%.)

**State Agencies Affected:**

**Local Agencies Affected:** CEDIT counties.

**Information Sources:** State Budget Agency.

**Fiscal Analyst:** Chris Baker, 317-232-9851.